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SUBJECT: ALENIA SPAZIO AND CHINA - DETAILS ON CONTINUED AND
FUTURE COOPERATION

REF: A. 03 ROME 4744
B. 03 STATE 283728
C. 03 ROME 2977

Classified By: Economic Minister-Counselor Scott Kilner for Reasons 1.5
(d) and (e)

¶1. (S) Summary: Alenia Spazio (AS) CEO Maurizio Tucci and Director General Carlo Penazzi told emboffs May 13 that contacts between the company and Chinese space officials over the last six months had revealed several potential areas of further cooperation: telecommunications; manned space programs; and scientific satellites and moon exploration. In a candid conversation over lunch with Ecmin, accompanied by Science Counselor and econoff, Tucci and Penazzi discussed Alenia Spazio's resumption of contacts in December 2003 with the Chinese Academy for Space Technology (CAST) and the Shanghai Academy for Space Technology (SAST). Tucci also passed to Ecmin a "company confidential memo" providing information on Alenia Spazio's activity with CAST and SAST from the December 2003 visit of Alenia executives China up to the present. Our discussion also covered Alenia Spazio's relationship with NASA and with ASI, the Italian space agency (reported septel). End summary.

¶2. (S) Tucci, who visited China himself in early April (accompanying an EU delegation led by Research Commissioner Philippe Busquin), where he met with CAST president Jia-Jun, told us that he was impressed by the increasingly advanced technology of the Chinese space sector, especially in terms of launch capabilities. Rather than seeking to import whole systems, the Chinese were now interested primarily in importing components - Tucci specifically mentioned their need for microelectronics, such as those used in transponders. Tucci added that the Chinese recognized that the company's ability to export sensitive goods and technology to China was constrained by Italian export controls. Overall, he said, Chinese officials' attitude on space technology was that China would eventually be able to produce such components domestically, regardless of foreign export controls. Tucci added that since talks resumed last December, AS has had no discussions with the Chinese on data relay satellites. He made no mention of any further talks with the Chinese on navigation systems, either.

¶3. (S) According to the Alenia Spazio (AS) document given to us by Tucci, the December 2003 visit of AS executives to CAST and SAST was followed shortly thereafter (no specific date given) by the visit of a delegation from CAST's manned space division to Alenia Spazio's Turin facilities. AS employees made a return visit to CAST on March 30-April 1, 2004. The document then provides Alenia Spazio's analysis of some technical and operational aspects of the planned cooperation in the following three areas:

-- Telecommunications: CAST designated China Great Wall Industries Corporation (CGWIC) as the purchasing company for on-board telecommunication equipment (no further details were provided), as previously specified in a request for proposal (RFP) forwarded by CAST to AS. On April 29, 2004, AS asked CGWIC to issue an end-user statement for the proposed equipment. In the meantime, AS contacted the GOI regarding the potential issuance of export licenses for the proposed items. AS believes these items are being procured competitively, with at least three other companies having been asked by CAST to provide a quotation.

-- Manned Infrastructure: CAST confirmed its interest in AS technologies and products, including in the areas of shielding from micrometeoroids and debris; design and welding procedures for pressurized structures; and thermal controls for modules.

-- Scientific satellites and moon exploration: CAST is interested in cooperating with AS on future scientific missions, particularly with regard to satellites to study the effect of solar activity on the earth's atmosphere. These projects were being implemented in close cooperation with the

European Space Agency and other national space agencies. CAST would also like to collaborate with AS in the development of a surface rover for lunar exploration.

Though AS is interested in all three sectors outlined above, AS notes in the document that in all the areas except telecommunications, government-to-government (perhaps space agency-to-space agency) agreements would be needed to allow such cooperation to move forward.

¶4. (S) Tucci told Ecmin that the brief (45 minute) visit of Chinese Premier Wen Jiabao to AS headquarters in Rome on May 7 had been essentially a photo opportunity, with no business discussions taking place. He pointed out that AS had taken care to shield Wen and his staffers from seeing any sensitive equipment or operations (notably those connected to Cosmos SkyMed), adding that GOI officials had also pressed AS to ensure its facility was not compromised in any way by the visit.

¶5. (S) Comment: Tucci continued to impress us with his willingness to share details of Alenia Spazio's contacts with Chinese space officials, including in a written document (which appeared to be drafted specifically for USG consumption). AS continues to look to China as an important element in reinvigorating the company's operations, though it appears in the near term that there may be fewer commercial prospects there for AS than was the case last summer. We expect to hear further details on AS discussions with China at the next round of bilateral talks on dual-use export controls, now being planned for June. End comment.

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